

Testimony of Billy Bain  
Committee on Agriculture  
US House of Representatives  
July 17, 2006  
Staunton, Virginia

Thank you, Mr. Chairman, for the opportunity to address your Committee today. My name is Billy Bain, and I farm in Dinwiddie County, VA. I grow wheat, corn, soybeans, peanuts, and hay and raise some beef cattle. I have through the years been an active Board member of the Virginia Peanut Growers Association and Peanut Growers Cooperative Marketing Association. I am here to speak about issues affecting all of agriculture but will concentrate on peanuts.

While many outsiders are not aware that peanuts are grown in our state, peanuts are very much a part of our agricultural history. From the period 1975-1981, Virginia averaged 102,000 acres planted with a value of \$60,580,000 dollars. From 1982-1995, we averaged 93,000 acres with a value of \$117,124,000. From 1996-2001, we averaged 76,000 acres with a value of \$50,425,000. Beginning in 2002 with the present peanut legislation, we dropped to 58,000 acres and the slide has continued. USDA estimates the crop currently planted is 13,000 acres. The value of this crop

could reach \$8,000,000. The current planted acreage is 1% of what is planted nationally. In 1975 we planted 6.8% of the nation's acres.

I think it is important to highlight two figures in the previous paragraph – the value of peanuts raised in our state was fairly recently \$117 million at the farm gate and is now \$8 million. In some cases acres which used to be planted to peanuts are now being used to raise other crops, and the value from those crops will add to the \$8 million. However, there is no way the loss of peanut income can be fully made up – either to the producer or to the state's economy. Further, the number of times money paid for crops has been estimated to turn over in the economy is 2-3 times when you include banks, equipment and chemical dealers, and local shops. Finally, these figures really become apparent when you realize we are talking essentially about a triangle of land bordered by Norfolk, Petersburg, and Emporia. The economic effects are tremendous.

The end of our supply managed peanut program brought many changes to our industry. As you recall, the old program, even though it operated at little or no cost to the taxpayer, finally succumbed to the pressures of imports and the critics who labeled it as taxing the consumer, as represented by retail prices, to the tune of \$500 million annually.

I recall at least five items that were hoped to be accomplished when the old program was rewritten, besides abolishing quotas. These will be mentioned and will be dealt with in some detail in the testimony:

- The program must allow for growth in the peanut industry. At the producer level it has grown in some regions, but only at the expense of other growing areas.
- The program must lower the cost of peanuts and peanut products to the consumer. While some decreases have occurred, it has been minor in relation to producer prices.
- The program must encourage more exports of US grown peanuts. We export about half as many tons as we used to.
- The program must provide a safety net for the producer. The safety net is inadequate for producers in my area.
- The program, through lower prices, should discourage imports. Shelled peanut imports have fallen. These have been more than replaced by other imports not counted in tariff-rate quotas. Taking all peanut classifications into consideration, there were more imports in 2005 than in 2000 or 2001.

What has changed with this new marketing loan program? First, there are fewer industry buyers. In 1980, there were approximately 54 shellers nationwide. Today there are approximately 12. Historically a grower sells to a sheller who then processes the peanuts into a form usable by the manufacturer. There has also been significant consolidation among the manufacturing sector.

Second, the number of acres planted nationwide is virtually unchanged. In the late 1980's, the US had 1.5 million acres planted. Last year, there were 1.657 million. The current crop is forecast at 1.3 million acres. Since the restrictive tendencies of the old program have been lifted, there are significant numbers of new growers and new growing areas in most of the peanut belt states. These growers are taking advantage of soil virgin to peanuts and the predominance of good weather conditions since 2002. It is one thing to grow a crop for a year or two. It is another to show the commitment over generations. The acreage shifting could not occur in Virginia. The only growing area with the soil and climate conditions for peanuts is the same area still being used - there was no new land to move to and few if any new growers willing to try their hand at peanuts.

Third, there has been a significant decrease in the financial returns of peanuts. Growers have become contract producers, and have few alternatives in proximity to their farm. Contract prices are less than 70% of what was paid to producers under the old program. This price is supplemented by some government payments, but these payments fail to make up the difference between income per acre under the old program compared to the new one. All the while, costs associated with an already expensive crop are growing every day. The combination of prices received compared to costs has hit VA producers extremely hard. If something doesn't change soon, we are afraid our industry will disappear.

Fourth, while there have been some retail price cuts, these have been few. The retail price reductions as a whole have not decreased at the same percentage as farmer prices or shelled prices. The price reductions have helped to derive some consumption growth, but not enough.

I want to take a bit of time to look at the actual operation of the program so we can see where adjustments need to be discussed. First of all, the basic premise of the peanut language – to apply the marketing loan program to peanuts thereby making peanuts look like all other commodities – is flawed

unless you realize the differences between peanuts and the other commodities.

First of all, peanuts are a specialty crop that requires unique harvesting, dry, and storage equipment. The capital investment for equipment needed to produce peanuts is a major portion of the cost of production. The high start-up cost limits our ability to get into or out of the peanut business. It is difficult, if not impossible, to replace or upgrade that equipment when you must rely on yearly contracts with little idea of what the next year's contract price will be. I am concerned that some growing areas will lose even more producers when their existing equipment wears out and needs replacing.

Second, peanuts are perishable. They must be stored under carefully controlled conditions to maintain the quality that US peanuts are known for. Few producers have the facilities to store their crop and if they do, storage is only for a limited time. This forces us to move our crop at harvest when the market is oversupplied. Other crops can be put under loan in extended on-farm storage and delay sale until the market improves. We have limited options, and essentially are forced to put our crop in the buyer's facilities where they can dictate the terms, conditions, and costs.

Handling and storage charges were authorized to be paid to facilitate the movement of the crop, and these payments have become important to the industry. While these payments are set to expire after this current year concludes, it is hoped that a way can be found to authorize funding through the life of the current and future bills as there is a fear that the nonpayment of these charges could become a producer expense. These charges do not apply to on-farm storage.

The marketing assistance loan for a producer must be obtained by January 31, and the duration of a loan is for nine months. This is far too long to properly store peanuts, a perishable commodity, and expect an adequate quality when they are delivered from storage. Heat and insects affect peanuts under extended storage, and it is our recommendation that the loan period be reduced to a 6 month loan or an expiration of June 30, whichever occurs first.

The loan rate for peanuts is currently set at \$355 per ton. Without recommending a certain rate for new legislation, we are extremely concerned about the overproduction that has occurred over the course of the last few years. This has put the program at risk in terms of government costs due to the level of forfeitures.

Forfeitures have increased from being nonexistent in the first two crop years to over 100,000 tons from the 2004 crop to an expected 500,000 plus tons from the 2005 crop. We have repeatedly asked USDA to restrict the disposition of forfeited peanuts to crushing use only, but to no avail. If there is a need for the peanuts, the current 9 month loan or even a 6 month loan allows plenty of time to redeem them. The system now allows forfeited peanuts to be purchased at prices below levels contracted months earlier, so there is no incentive to purchase these before the loan expires. Further, due to the quality of most forfeited peanuts, the crushing market is the only suitable market for these stocks. It is our feeling that forfeited peanuts should be crushed to protect our quality. This will also prevent these stocks from being held over producers' heads going into a new crop year.

When confronted about redemptions before forfeiture, USDA has maintained that it is the growers loan and he is the one with the choice to redeem the peanut. While technically this is true, reality will show that current methods of contracting give this right to the handler, and in turn gives the right to marketing gains to the handler and not to the grower. It is our hope that USDA will realize this situation at some point.

Growers have been forced to try to adjust to this program. Unfortunately in many cases the decision has been to quit or dramatically cut back in peanut production. For those with disease free land, it has been a definite plus, although this situation will not last even with adequate rotations. For previously established growers who are choosing to grow peanuts at the loan rate or just above it, my hat is off to them as I do not know how they are profitably able to do so. Many justify it when they say that peanuts are better than the alternatives. This unfortunately shows us the sad state of affairs in all of agriculture.

I cannot conclude my remarks without touching on trade agreements. For peanuts, through the various trade agreements including GATT, NAFTA, CAFTA as well as bilateral agreements, we have granted quota access into our country of over 70,000 tons of peanuts and over 20,000 tons of peanut butter. In the case of Mexico, peanut butter imports will soon be unlimited. It has been most helpful to our industry to have had these quotas and to have been placed on the longest phase-in period allowed under most agreements. However, it comes a time when you look back and assess what these agreements have gotten us. We export less than half of the amount we used to, so access to other markets has not happened. In addition to the figures

above, there were nearly 300 million pounds in 2005 and over 400 million pounds in 2004 of other imports brought into the US containing peanuts. These imports include confectionary products and crude or refined peanut oil. For years we have asked that these categories also be included in access amounts granted to countries under trade agreements, but to no avail. It appears to us that we as a trading entity are usually ready to offer a peanut quota but we as peanut producers get nothing in return. One of the main thrusts of the WTO Round is to help and write special rules for developing countries. The US is the only developed country growing peanuts. Our country is the largest of the few whose peanut production industry is driven by the edible market rather than the crushing market. Under these conditions, every country wants a piece of our market and we as producers have little if anything to gain.

Finally, it is an unfortunate fact that growers, whether it be in peanuts or any other row crop, must have a strong program to provide some form of stability against a marketplace in which they have little control. All of us as consumers are direct beneficiaries. We do believe that we must do all we can to supplement this program in any way possible. Virginia has recently joined with North Carolina and South Carolina to obtain a certification logo

issued by the US Patent and Trademark office. This logo denotes Virginia-Carolina Grown. We are very proud of the type peanut we grow, the unique uses of this peanut, and the flavor and quality characteristics that we have historically produced. We feel that consumers need to know what their options are. If their inclination is for Virginia-Carolina produced peanuts, then we want them to be able to find them. It is our hope that this will help unite the shellers and manufacturers with the growers in our area, to everyone's benefit.

I do have one final concern to share with you. As you know, consumers follow fads, and one that is currently growing is that for organic products. There are suddenly significant quantities of organic peanuts on the market, and, to our knowledge, few acres of organic peanuts are grown in our country. We have indications that many of these products originate in China and are certified there by USDA as organic. We have brought this issue before USDA but with thus far inadequate responses. Perhaps with your help we can more fully understand the nature of this situation. USDA should not be authorizing their organic certification to be used for production grown halfway around the world.

In developing the next Bill, I assume you will start with current law and make appropriate changes. I have addressed some areas of change. There will be others, and I assure you we stand ready to work with you to craft these changes so the producer, regardless of whether he lives in Virginia or not, is the beneficiary. With declining federal budgets and steadily rising production costs, it will take all of our efforts to be successful.

Chairman Goodlatte, members of the Committee, thank you for your interest and efforts through the years on behalf of agriculture. As a producer for many years, I feel that agriculture is at a crossroads. In the marketplace all commodity prices are below the cost of production. There are no incentives for young men or women to become farmers as they see their predecessors struggle. Fewer members of Congress are farmer-friendly, and the list of groups continues to grow who thrive on feeding misinformation about trade, government payments, or other topics to a public which takes food production for granted. I hope through your efforts we can find ways to give more of the final product cost back to the farmer. Take most any product off the shelf at the store and calculate the prices actually received by the farmer. This quickly leads to the sad realization that farmers are at the mercy of everyone else in the supply chain. I appreciate the chance to

testify before you, and we look forward to working with you in the development of the next Farm Bill. I will be glad to answer any questions.

Committee on Agriculture  
U.S. House of Representatives  
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Billy Bain
2. Business Address: 19509 Bain Rd.  
Dinwiddie, VA 23841
3. Business Phone Number: 804-586-2400
4. Organization you represent: Virginia Peanut Growers Assn./PGCMA
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:  
Diversified farmer - 38 years  
Served on numerous agricultural organization Boards & Committees  
Numerous testimonies before Agriculture Committees
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:  
VPGA - Board of Directors  
PGCMA - Board of Directors

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.

Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2004.

Name: Billy Bain

Address: 19509 Bain Rd., Dinwiddie, VA 23841

Telephone: 804-478-4832 804-566-2400 (Cell)

Organization you represent (if any): Virginia Peanut Growers

Association; Peanut Growers Cooperative Marketing Association

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2004, as well as the source and the amount of each grant or contract. House Rules do **NOT** require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: N/A Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2004, as well as the source and the amount of each grant or contract:

Source: N/A Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you: ☒

Signature: Billy Bain

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.